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SUBJECT: GEORGIA BI-WEEKLY UPDATE SEPTEMBER 28

1. This cable contains current items of political, economic, and social interest concerning Georgia during the weeks of September 8-28.

New CEC Chair to be Chosen Soon

2. On September 23, a special Selection Commission under the President's administration completed acceptance of applications for the position of the Central Election Commission (CEC) chairman, vacant since previous Chairman Guram Chalagashvili was appointed head of the National Energy Regulatory Commission in August. By all accounts the leading candidate is Levan Tarkhnishvili, chairman of the Supervisory Board of the Public Broadcasting Service (PBS), who is said to be associated with influential ruling party MP Giga Bokeria. The other two candidates are obscure and listed as "temporarily unemployed" in their application materials. The Selection Commission will recommend two candidates to the president by September 29, who in turn will choose one for the Parliament's approval within 7 days.

Russian Ambassador Predicts Extinction of Georgian Nation

3. On September 21, at a meeting of the Georgia-Russia Friendship Fund, Russian Ambassador to Georgia Vyacheslav Kovalenko said Georgia was a "relict" nation "on the brink of extinction" in terms of demographics. The statement touched off a firestorm of criticism from Georgian officials and commentators. Parliamentary Speaker Nino Burjanadze said "I would advise Kovalenko to worry about Russia and its demographic problems, and we will take care of Georgian problems ourselves." The Ministry of Foreign Affairs summoned Kovalenko for explanation, and Georgian students staged a rally outside Russian Embassy demanding Ambassador's apology. The comments even drew criticism from opposition figures who have themselves expressed concern in the past about demographic trends in Georgia. Kovalenko refused to apologize, saying he was referring to the findings of a Georgian research institute and was truly concerned about Georgia's huge demographic problem, "which needs to be urgently addressed."

Georgian Armed Forces to be Increased

4. On September 12, President Saakashvili began the process to increase the size of Georgia's armed forces, submitting to Parliament a bill to increase personnel from 28,000 to 32,000. Members of the ruling party justified the decision as necessary given Georgia's participation in international peacekeeping missions, as well as to increase defensive capacities within Georgia. Opposition spokesmen disagreed, arguing that current Georgian armed forces are fully capable to face present challenges. They also argued that it would be more expedient to enhance the professionalism of the Georgian army instead of boosting its size. On September 17, despite the criticism from the opposition parties, the Parliament approved the President's initiative.

Improving Relations with Belarus?

5. Georgia's Interior Minister Vano Merabishvili paid an official visit to Belarus on September 17, meeting with President Alexander Lukashenko, who expressed hopes for restoring the positive relations Georgia and Belarus enjoyed in the Soviet era. Lukashenko said

previous confrontations between the two countries should be disregarded. Georgia and Belarus agreed on opening diplomatic missions in each other's countries and on security cooperation, but put higher emphasis on boosting economic ties. Lukashenko stressed that the level of trade did not correspond with the potential of the two countries and set a target of increasing the current USD 25 million trade turnover up to USD 100 million in the near future. Lukashenko dismissed the ensuing speculation of some journalists that the visit was aimed at building an anti-Russian coalition, saying that "only people with a morbid imagination could conclude that Minsk and Tbilisi are getting together against Russia."

Higher Price for Azerbaijani Gas

16. Sources in both countries have confirmed the intention of Azerbaijan to increase gas prices for Georgia. Georgia's Energy Minister Alexander Khetaguri reported that talks on the issue have already begun and will be completed in a near future. His Azerbaijani counterpart confirmed this shortly afterward. Currently, Georgia pays USD 110 per 1,000 cubic meters of Azerbaijani gas compared to USD 235 for Russian gas. According to Georgian media, Azerbaijan's gas price could grow by up to USD 60, which would entail an inevitable increase in gas tariff, already increased significantly for two consecutive years. Currently Azerbaijan is Georgia's sole supplier, as deliveries from Russia were suspended in late spring due to low consumption level. However, with Georgia's increased demand in late fall and winter and Azerbaijan's inability to fully meet the demand, Georgia will have to resume import from Russia. Unofficial press reports claim Russia is planning to demand a higher price as well.

TEFFT